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HOUSE....No. 4.

To His Excellency MARCUS MORTON,
Governor of the Commonwealth of Massachusetts :

The undersigned, Bank Commissioners, have the honor to submit the following, as their Third Annual

R E P O R T.

The Commissioners are required by the Statute under which the Board was first organized in April 1838, either together or separately, according to their discretion, once in every twelve months, and oftener, if they deem it expedient, to visit and examine every Bank and Provident Institution for Savings in the Commonwealth ; and they are also required to make a Report to the Governor, in the month of December annually. The periods of twelve months each, within which, each and all the corporations are to be visited and examined, are from April to April. The Annual December Reports, therefore, have not included the results of the examinations of quite all the banks ; but, as by the subsequent Statute of February 21st, 1839, the examination of those banks whose charters had been annulled, was required of the Commissioners, the Reports in relation to them made during the Session of the Legislature, have contained also notices of the examination of all the banks not included in the Annual Reports. These in each year have been few, and are less in number the present, than in previous years. Since April last, all the banks have been visited, except seven in the city of Boston, and all the Institutions for Savings, ex-

cept two in said city, and three others in its immediate vicinity.

The country banks, with few exceptions, are visited by one only of the Commissioners, the labor being divided among them. A part of the banks in Boston are examined by the whole Board, others by two of the Commissioners, and others by one only. As the Commissioners are brought together several times during the year, by the joint examination of banks in Boston, and some of those in the country, they have opportunity to report to each other the results and particulars of their separate examinations, and to consult upon the expediency of special communications to any of the banks, or of special visits to them.

As may be found fully stated and explained in our first Report, the Annual Returns made by the banks to the government, of their condition, though exceedingly useful in many respects, are, as all such returns ever must be, inadequate to the purpose of showing, in many vital particulars, their actual condition, and, it is true, that by those returns merely, it has frequently happened that a weak and struggling bank could not be distinguished from one in an easy and prosperous condition. It is only by an actual examination of the items of these returns at the bank, that its true condition can be learned, or that the fact can be ascertained whether the bank is proceeding legally and safely or otherwise, as regards the public and those having funds in its custody. It has been our business to make an examination and analysis of these returns, that is to say, of statements of the condition of each bank in substantially the same form, made out at or near the time of its examination. This examination must be each year a work of patient investigation, conducted as to the amount of labor with a reasonable discretion. It is facilitated somewhat and rendered much more satisfactory, by the recollections, minutes and records of previous examinations, but still it must be annually performed, and, as we have found in some cases, oftener, to accomplish its purposes.

In our examinations the present year, we have, with as much detail and particularity as a reasonable time spent at each bank would allow, ascertained all their liabilities to the public and their stockholders, as well as the character and value of all their resources. In all cases, the officers of the banks, or some of them, have been examined under oath, as to all matters in their affairs, transactions, management and condition, which seemed to require such examination. In examining their assets, particular attention has been given to their loans. It is well understood by those conversant with banking operations, and is explained in our last annual report, that the large proportion of the resources of a bank are usually found in its loan. That part of the loan, if any, which is overdue, has been examined separately. That part which is yet to become due, has been usually classified, and the amount coming due in each month separately stated. In those cases where it seemed to be necessary, the paper payable abroad has been examined in distinction from that payable at the bank; and the same distinction has sometimes been made between the accommodation paper, which looks forward to a renewal, and business paper, sure of being paid at maturity. The delinquent paper, wherever it has been found, has been minutely examined, its character, its collateral securities, and their value, the means in progress for its collection, and their prospect of success, with the probable loss, if any, upon it, as far as possible ascertained. In these examinations of the loans, we have of course derived assistance from our minutes and recollections of previous examinations. Our estimates of the character and value of the loans have therefore been more satisfactory, and our remarks to the officers of the banks have been more freely, and with greater confidence, made than in former years.

The following brief statement will exhibit, at one view, the periods in which the bank capital has continually increased since 1803, the periods in which it has decreased, and its amount at the end of each period :

Bank capital in 1803,	\$2,225,262
Increase from 1803 to 1816,	9,249,738
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Bank capital in 1816,	11,475,000
Decrease that year,	2,176,950
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Bank capital in 1817,	9,298,050
Increase from 1817, to 1820,	1,301,950
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Bank capital in 1820,	10,600,000
Decrease that year,	800,000
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Bank capital in 1821,	9,800,000
Increase from 1821 to 1829,	10,620,000
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Bank capital in 1829,	20,420,000
Decrease that year,	1,125,000
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Bank capital in 1830,	19,295,000
Increase from 1830 to 1837,	18,985,000
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Bank capital in 1837,	38,280,000
Decrease from 1837 to 1840,	4,580,000
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Bank capital, December, 1840,	\$33,700,000

The bank capital in 1836, amounted by acts of incorporation to \$40,380,000. But of the banks chartered in that year, several never went into operation.

Since November, 1839, the bank capital has been decreased by the surrender of the charters of the Hancock Bank, whose capital was at that time returned as, \$435,600 63; the Middling Interest Bank, capital \$150,000: the East Bridgewater Bank, capital \$100,000; and by the reduction of the capital stock of the Andover Bank, and the Charlestown Bank, in the sum of \$50,000 each; making the total reduction the past

year \$785,600 63. There are now in operation 115 banks ; 25 of which are in Boston, with a capital of \$17,850,000, and 90 out of Boston, with a capital of \$15,850,000, making the present bank capital of the Commonwealth \$33,700,000. There has been paid into the treasury the present year, for taxes upon the bank capital, the sum of \$338,252 08 ; which sum includes some arrearages from insolvent banks, and also the tax upon a part of the reduced capital, which accrued before the time of its reduction.

It will appear from the tabular statement annexed to this report, that in August, 1829, the specie held by the banks was, in proportion to their bills in circulation, as 1 to 4.81—100 ; in June, 1830, as 1 to 4.07 ; in October, 1831, as 1 to 8.41 ; in August, 1832, as 1 to 7.89 ; in October, 1833, as 1 to 8.55 ; in May, 1834, as 1 to 6.60 ; in May, 1835, as 1 to 8.30 ; in September, 1836, as 1 to 7.48 ; in October, 1837, as 1 to 6.77 ; in February, 1838, as 1 to 5.35 ; in October, 1838, as 1 to 3.90 ; in November, 1839, as 1 to 4.28 ; and in October, 1840, as 1 to 3.04. The amount of specie in the banks in October last was larger than it has been for the last twelve years ; and larger in proportion to the circulation. Since that time the proportion of specie to the circulation is somewhat lessened.

It also appears that the amount of the cash funds, or immediately available resources of the banks, in proportion to their liabilities to the public, are somewhat larger than they were in 1839 ; and larger than they have been at the time of the annual returns, for the last twelve years. The November returns for 1839, showed the condition of our banks soon after the southern suspension ; and between November, 1839, and October, 1840, the circulation had increased from \$7,875,332 50 to \$9,112,882 25, making an increase of \$1,237,549 75 ; the deposits from \$6,728,718 42 to \$8,636,923 35, making an increase of \$1,908,204 93. In the same time the specie was increased from \$1,838,272 99 to \$2,991,804 50, making an increase of \$1,053,531 51.

The period since October, 1839, has been one in which there has been little temptation to the banks to extend their liabili-

ties beyond the point of entire safety. At that time, when most of the banks in the Middle, Southern and Western States, and in Rhode Island, suspended specie payments, the Massachusetts banks being induced by every principle of duty and interest to continue to pay specie, were compelled to proceed with great caution ; to husband their resources, and diminish for a time their liabilities ; to examine every part of their loans thoroughly, to look the delinquent portions of them in the face, to institute vigorous measures to render these portions productive, to bring them so far as possible to immediate collection or settlement, or to change them into the shape of business paper. They were warned also by the condition of things, to create few new debts, except upon reliable business paper, and to make no issues and incur no liabilities, beyond their continual ability of redemption. And in the examinations made by us this year, of their loans, we have in the main found them sound and secure, and improved from their previous condition.

In those instances where there has been an apparent failure in vigorous exertion, and thorough measures, we have used our influence to promote them. It is believed that in consequence of the increased attention which has recently been given to our Banks, they now, as a whole, are in sounder and healthier condition, than in several of the years just past. They can and must maintain this condition as a whole ; while in particular instances, the condition of individual banks must be still farther improved. Considered merely as corporations seeking the permanent interests of their stockholders, such is their true policy, from which no prospect of temporary profit should tempt them ; and considered as they must be, as public institutions, undertaking to furnish a sound and uniform currency for the people of the Commonwealth, and for this purpose invested with limited, it is true, but still special privileges, there can be no doubt as to their duty in this respect. Their course for the next twelve months is peculiarly important. That policy should be firmly adhered to, which is so plainly taught by the experience of the last four

years. The path of safety is the path of profit. If their money is loaned and their bills issued upon the security of paper, sure of payment at its maturity, the banks will be sure of a good circulation, of banking interest to which they are specially entitled by law, and of regular and abundant means, at all times, to redeem their circulation, to pay the calls of their depositors, and to discharge all their liabilities to the public, making reasonable dividends to their stockholders. But if, from a weak desire of doing a great deal of business at once, of making large profits within a short time, any of the banks should proceed, under the excitement of reviving business, to make sudden expansions of their loans without due regard to the character of their paper, they will soon find that portions of their loans are unproductive, lying delinquent and dead, yielding not even simple interest, and preventing the bank from enjoying its legitimate share of circulation and deposits, to say nothing of direct losses from bad debts.

It appears by the annual returns and by our examinations, that the banks in the aggregate, for the twelve months preceding October last, paid in dividends to their stockholders but a trifle over five and a half per cent. upon the capital stock ; and though some of them have made some additions to their reserved profits, the dividends of others have borrowed somewhat from their prospective earnings ; so that it is believed, in the aggregate, the dividends have been equal at least to the actual earnings of the bank capital after deducting the taxes and expenses. The net profits of the bank capital do not amount to six per cent. per annum, and it may be for the interests of the owners of some of the banks to wind up and divide their capital. But so long as such banks are conducted legally and with safety to the public and those having funds in their custody, this is a question for the stockholders merely. In a general view of the subject, considering the manner in which a considerable portion of the bank stock is owned, by persons who must in some form intrust the management of their property to others, it may be true that the

bank capital is as productive as it would be in other modes of investment. In some few instances, however, during the past year, we have deemed it judicious that the particular attention of the stockholders should be directed to this point. In those banks where, by reason of bad debts and losses, the capital stock has been impaired, no dividends of profits can be made until the earnings of the bank shall make good the deficiency. Where this deficiency is so great that the earnings of several years are required, it would seem to be clearly for the interest of the stockholders to wind them up, unless the deficiency can be made good by assessments, because the bank must pay a tax upon a portion of capital of which it has not the use, and part of which, in fact, it is in the process of earning, and because the shares of stock, yielding no dividends when required to be sold, by the circumstances of its owners or the settlement of estates, will not produce so much as it will by a division.

There are strong inducements always operating upon the officers of banks to make dividends at each dividend period, even when the profits are not sufficient, or to make the usual dividends when smaller, if any, should be declared. This is poor policy and it is illegal. The law knows no dividends in a live bank, but dividends of profits. If the capital of a bank is impaired by dividends, that does not diminish the taxes and expenses. Besides, by a forced dividend the stock is made to appear more valuable than it really is, to the injury of buyers. The officers of banks, in such cases, should have nerve enough to refuse to declare a dividend.

The deposits on interest appear to have diminished during the past year, and form now but one eighth part of the deposits. Of these a considerable portion belong to the Commonwealth, and to Savings Institutions. Upon these interest may be legally paid by the banks. Another portion consists of deposits which were made previous to the passage of the law prohibiting them. But in some banks, deposits have been recently received from individuals with an agreement or understanding that a low rate of interest should be paid upon them.

In several banks, upon our reference to the law on the subject, they have been entirely removed. They should be so removed from all, as in our opinion, the reasons of which are stated in our first report,—no bank which receives deposits on interest from individuals or private corporations, can be said to be conducted strictly according to law.

It is now comparatively seldom that we meet in the cash item of a bank with memorandum checks. We do occasionally find them, however, usually representing small sums, and accompanied always by plausible explanations, but no explanation can justify them.

In some banks it has long been the practice to keep a book, shewing the daily balances of their depositors, the overdrafts whenever they occur appearing in red ink. These books are coming into more general use. The labor of keeping such books, is much less than is supposed by those who have not adopted them. They have a strong tendency to prevent the occurrence and continuance of over drafts, and they are of great assistance to cashiers in making a balance statement, at any time, of the resources and liabilities of their banks.

The practice of employing agents abroad, to exchange the bills of a bank for those of other banks, is not entirely discontinued. This practice adds little to the profits and nothing to the credit of any bank that continues it.

Thorough examinations are made in some of the banks by the directors, or by committees of the directors, or by committees of the stockholders, twice in a year, and in some cases oftener. We cannot say that these examinations are generally practised. They should be practised in every bank, and the reports of them should be recorded and submitted to the stockholders at each annual meeting. A system of examinations and reports once adopted, would be likely to be continued. They are of great advantage to a bank. They aid essentially, and are aided by, the examinations of the Commissioners. The cash should be counted, and the loan examined several times in a year, and the results compared with the entries on the

books of the bank. Such examinations, especially on the part of the stockholders, would be a strong and almost unfailing safeguard against excessive loans to directors.

The Act of April 25th, 1838, has been accepted by the stockholders of only twenty-nine banks, the names of which, are stated in our previous Reports. Portions of their own stock are still held by a few of the banks. These have been reduced during the past year, and it is expected that most of them may be soon disposed of to individuals. All the banks, as well those who have not accepted the act as those who have, charge for exchange, as well on notes as on drafts. In most of the banks which have not accepted said Act, the liabilities of the directors, or of some of them, are either generally, or occasionally, larger than the limits therein prescribed. The provisions of this Act are commented upon in our first Report. The experience of three years has shown, that as to most of the banks it is inoperative. Its provisions are not considered by the banks who have not accepted it, as binding without acceptance on their part, and it does not contain privileges sufficient to induce them to accept it.

In our examinations this year, as formerly, we have paid attention to the rates of exchange. In those cases where we have found a want of regularity, and a tendency to too high rates, we have pointed them out and remarked upon them, to the officers of the banks. The course which has been generally adopted in discounting paper, payable in the suspended cities, has been to charge ordinary rates of exchange, with a guaranty on the part of the customers, to make the funds received for the notes and drafts at maturity, equal to specie funds. The rates upon paper, payable in New York, have not generally been extravagant, nor would extravagant rates have been paid if they had been asked, for good paper has commanded money at legal and reasonable rates of interest. Upon paper payable at some points in Massachusetts and New England, other than Boston, we expect to see the present rates somewhat reduced. The charges made at those points for

collection and remittance, are in our opinion in some cases too high. We have not as yet deemed it our duty to report any bank to the Treasurer under the Act of March 24th, 1840. In compliance with an order of the last Legislature, we reported the names of twenty-seven banks, then charging for exchange on paper discounted, payable in Boston, and the rates charged. Immediately after that Report, several of those banks discontinued the practice, others discontinued it subsequently at our suggestion ; and we are now able to say, that this practice is discontinued by all, or will be so from this time.

If the expected resumption of specie payments in Philadelphia and the other cities where they have been suspended, shall prove to be general and permanent, the rates of exchange will assume greater regularity, and violations of the law will be more easily detected.

The manufacturing and commercial business of Massachusetts, and New England generally, is so intimately connected with that of the Southern and Western States of the Union, that the situation of the banks and currency there is a matter of deep interest to the business community, and to the banks here. The suspension of specie payments in October, 1839, and its continuance to this time, has been a source of continual embarrassment and loss, falling not so much upon our banks, directly, as upon their customers, for the reason stated in our reports of last winter, that the banks generally have protected themselves from direct losses upon the paper payable in the suspended districts, which they have discounted, by agreements with their borrowers, that the funds received, at the maturity of the paper, should be made equal to specie funds. To effect a resumption in Philadelphia has been deemed an object of great importance to the interests of New England business, as well as to the banks ; particularly as it is supposed it will be accompanied by a general resumption on the part of all solvent banks. In October and November last, by communications between persons connected with Philadelphia and Boston banks, the latter were assured that a loan of two millions and

a half of dollars from abroad, for a specific period, to certain Philadelphia banks, enabling them to extend an accommodation to twice that amount to the United States Bank of Pennsylvania, would be indispensable to secure a resumption there in January next; and that with such aid, all the banks in Philadelphia would be able to resume and maintain specie payments. Negotiations were entered into in Boston and in New York, which during the present month have resulted in a loan to those Philadelphia banks of that sum, upon their notes payable in New York, in from nine to eighteen months from date, with interest at six per cent. per annum. The loan of \$2,500,000 has been made to six banks in Philadelphia, from the following sources. From fourteen banks in Boston, \$945,000; from seven country banks in Massachusetts, \$130,000; from Providence, \$338,000; from Hartford, \$100,000; from New York, \$800,000; from individuals in Boston, \$187,000. This loan has already been principally paid in checks upon Philadelphia and Baltimore funds.

The Middling Interest Bank in Boston has not yet redeemed its liabilities to the public. In our last annual report, the causes of the injunction upon this bank, and measures subsequently pursued up to December 1839, are stated, and in our special report made March 20th, 1840, a subsequent decree of the court is recited, by which the directors of the bank were authorized, under the direction of the commissioners, to receive the deposits and bills of the bank in payment of all liabilities due to the bank, to compromise and discharge doubtful debts, to renew notes for a reasonable time not exceeding three months, to sell and dispose of all the property of the bank, and apply the proceeds thereof to the discharge of the liabilities thereof, and to do all other things necessary and proper to be done, to wind up speedily all its affairs. This decree was made March 6, 1840, and contained certain requisitions and conditions therein fully set forth. From that time until the 10th July last, the attention of one of the commissioners, Mr. Shove, was given occasionally to the concerns of the corpora-

tion, and the proceedings of the directors. The requirements of said decree were not fully complied with, and at that time, by the advice of the commissioners, the charter was surrendered, the active direction of the bank placed in the hands of a committee of three directors, and a new cashier appointed. An agreement was entered into, by which some of the principal debtors to the bank engaged to strengthen their paper by conveyances of various kinds of property in mortgage, and to pay in, upon their indebtedness in current money, or bills of said bank, on or before the first day of December, the sum of twenty thousand dollars, and the directors engaged to proceed, with all the despatch possible, in rendering the assets of the bank available to the discharge of its liabilities. The conditions of this agreement were complied with, in regard to the conveyances and mortgages; but the conditions, in regard to the payments, have been up to this time but partially performed. Its object was to place the redemption of all the liabilities of the bank beyond a reasonable doubt, to secure the payment of one half of the liabilities by the first day of December, and the remainder on or before the first day of July, 1841. This was considered the best measure which could then be adopted, under all the circumstances of the case. It is believed that the ultimate redemption of all the liabilities of the bank is placed beyond reasonable doubt; but the payments thus far have fallen short of the agreements; and the collections upon the other debts have been less than was promised and anticipated. The present amount of the liabilities, and the amount of reduction, will appear from the following statement :

LIABILITIES TO THE PUBLIC.

	DEC. 28, 1839.	JULY 11, 1840.	DEC. 26, 1840.
Circulation, - - -	55,602 00	46,692 00	35,010 00
Due to Depositors, -	19,411 75	8,328 95	3,879 09
Dividends unpaid, -	937 00	892 00	892 00
	<u>\$75,950 75</u>	<u>\$55,912 95</u>	<u>\$39,781 09</u>

Other considerable reductions of the liabilities are promised to be immediately made. Whenever it shall appear that other measures are likely to be more effectual than those now in progress, in hastening the redemption of the remaining liabilities, the proper application to the court will be made for that purpose.

The charter of the East Bridgwater Bank has been surrendered to the Commissioners, under the Act of April 13th, 1838, and upon examination in May last our certificate was given, that the bank might with safety to the public proceed to close its concerns under the provisions of the Revised Statutes, chap. 44, sect. 7. As was anticipated in our last annual report, the liabilities of this bank have been paid as they were presented, and without any depreciation.

Examinations, as provided for by acts of the last session, in relation to the reductions of the capital stock of the Andover Bank and the Charlestown Bank, have been made, and certificates given, to carry said acts into effect.

In relation to the Provident Institutions for Savings in the Commonwealth, we are able again to report that they appear to be conducted, in the main, according to the provisions of law, and to be generally fulfilling, and in many cases with exemplary faithfulness and moderate expense, the purposes for which they were incorporated. The situation of trustees of these institutions is exceedingly important. It appears by returns made to the Secretary's office, that the amount of deposits on the last Saturday in November, in these institutions, was \$5,819,653 74, having increased in the thirteen months next preceding by the sum of \$211,495 01. The number of depositors at the same period was 37,470, the number having increased the last year 784. The number of Savings Institutions is 31. It has been suggested by members of some of the Boards of Investment, and we think the suggestion is worthy the attention of the Legislature, that it might be judicious at this time to allow a certain proportion of the investments to be made in the stocks of certain rail-roads.

The banks which have not as yet received their third annual examination, are the Atlas, Atlantic, Globe, New England, North, Shoe and Leather Dealers, and Suffolk Banks. The Commissioners are now proceeding in the examination of these banks, and they will soon be completed, as well as the examinations of the remaining Savings Institutions, which are the two in the city of Boston, and those in Cambridge, Chelsea and Newton. The banks whose charters have been annulled will also be examined under the provisions of the act of 1839, and a special report will be made during the session of the Legislature.

It is not known to us that any applications are intended at this session for an increase of the bank capital, by new charters or otherwise. It is expected that some applications will be made for a reduction of capital stock. In those cases, we shall be happy to furnish any detailed information in regard to the banks so applying, that may be required.

A comparative statement is hereto appended, showing the liabilities of the banks to the public, and also their resources, for the twelve last years. This statement has been repeatedly published, with additions, from year to year, both to shew the proportion, from time to time, between the public liabilities of the banks and their immediately available assets, and as an inducement to them to keep up and increase the proportion of the latter to the former.

All which is respectfully submitted.

JULIUS ROCKWELL,
JONATHAN SHOVE,
WARREN LOVERING,

Bank Commissioners.

Boston, Dec. 31, 1840.

COMPARATIVE STATEMENT of the Condition of the Banks in Massachusetts, at various times.

	AUG. 1829.	JUNE, 1830.	OCT. 1831.	AUG. 1832.	OCT. 1833.	MAY, 1834.
Circulation, - - -	4,747,784 50	5,124,090 00	7,739,317 00	7,122,856 00	7,889,110 00	7,650,146 75
Balances due to other Banks,	1,566,203 93	2,128,576 35	2,477,615 43	1,993,904 15	2,881,447 50	2,393,301 25
Deposites, - - -	4,755,069 79	6,379,825 33	8,952,913 30	9,207,554 94	11,666,122 90	13,308,059 09
	11,069,058 22	13,632,491 68	19,169,845 73	18,324,315 09	22,436,680 40	23,351,507 09
Specie, - - -	987,210 47	1,258,444 05	919,959 73	902,205 78	922,309 84	1,160,296 09
Real Estate, - - -	650,877 96	621,152 34	683,307 89	738,612 64	791,821 77	867,761 56
Bills of other Banks, -	1,236,179 07	1,393,855 68	1,375,174 17	1,201,930 65	1,796,361 96	1,952,417 54
Balances due from other Bks.	1,651,323 57	2,191,087 62	2,427,679 37	2,307,784 26	3,363,716 29	2,824,984 86
	4,525,591 07	5,464,539 69	5,406,121 16	5,150,533 33	6,874,209 86	6,805,460 05
Notes, &c. discounted, -	28,590,896 17	27,987,234 09	36,040,760 76	38,889,727 24	45,261,008 09	47,200,477 15

COMPARATIVE STATEMENT—Continued.

	MAY, 1835.	SEPT. 1836.	OCT. 1837.	OCT. 1838.	NOV. 1839.	OCT. 1840.
Circulation, - - -	9,430,357 72	10,892,249 50	10,273,118 00	9,400,512 75	7,875,322 50	9,112,882 25
Balances due to other Banks,	3,490,097 56	5,063,886 94	5,721,969 54	3,526,686 66	2,428,021 69	3,961,805 86
Deposites, - - -	11,921,700 68	15,262,445 87	14,059,448 61	9,621,217 03	6,728,718 42	8,636,923 35
	24,842,155 96	31,218,582 31	30,054,536 15	22,548,416 44	17,032,062 61	21,711,611 46
Specie, - - -	1,136,444 30	1,455,230 47	1,517,984 02	2,394,624 24	1,838,272 99	2,991,804 50
Real Estate, - - -	922,543 78	1,140,004 65	1,155,722 96	1,066,327 21	1,141,595 46	1,169,803 06
Bills of other Banks, - -	2,097,797 75	3,428,852 75	2,988,617 13	2,359,387 46	1,552,071 08	2,121,782 64
Balances due from other Bks.	3,797,926 86	5,126,900 81	5,814,224 04	5,027,800 03	3,773,458 98	4,702,491 41
	7,954,712 69	11,150,988 68	11,476,548 15	10,848,138 94	8,305,398 51	10,985,881 61
Notes, &c. discounted,	48,342,019 94	56,643,171 96	58,414,182 39	48,206,808 85	44,967,749 50	46,540,685 21

HOUSE....No. 62.

MESSAGE.

COUNCIL CHAMBER, Feb. 25, 1841.

To the Speaker of the House of Representatives :

SIR :

I herewith transmit, for the use of both Houses, the Report of the Bank Commissioners.

J. DAVIS.

To His Excellency JOHN DAVIS,

Governor of the Commonwealth of Massachusetts :

The Bank Commissioners respectfully submit the following

SPECIAL REPORT.

Since our annual report to the Governor, which was made according to law, on the 31st December last, and which is the printed document of the House of Representatives, No. 4, we have visited and examined the Atlas, Atlantic, Globe, New England, North, Shoe and Leather Dealers', State and Suffolk Banks; also the two Provident Institutions for Savings in Boston, and those in Cambridge, Chelsea and Newton, and all the banks, as well as all the savings institutions in the Commonwealth, have now received their third annual examination, in pursuance of the statute of April 23, 1838. In regard to the banks above named, we do not find it necessary to report in particular detail. They have been examined in the same manner, and with the same general results, as were stated in our annual report in regard to the other banks now in operation in the Commonwealth.

We have also found it necessary to make repeated examinations of some of the banks, the particulars of which will be found in the subsequent pages of this report.

The "Provident Institution for Savings in the town of Boston," has been in operation since 1816. The amount of deposits on the 11th of February, 1839, was \$2,008,518 43; on the 5th of February, 1840, it was \$2,058,820 50; and on the 20th of February, 1841, it was \$2,208,365 02.

The "Savings Bank for Seamen and others," was incor-

porated in 1833. The amount of deposits on the 29th of September, 1838, was \$153,503 90; on the 1st of February, 1840, it was \$199,813 63; and on the 31st of January, 1841, it was \$230,816 31.

The manner in which the funds of these institutions are invested, and their securities, and their system of accountability, have been particularly examined; and this examination showed them to be conducted in a safe, skilful, and prudent manner.

In pursuance of the statute of February 21st, 1839, we have also, since our annual report, visited and examined the banks whose charters have been annulled by law in previous years, or surrendered by their stockholders. Concerning most of these, special reports have been made during the last session of the Legislature, and the session previous. The particulars of their present condition, showing the progress made in extinguishing their liabilities from time to time, and in winding up their concerns, will now be stated, so far as seems to be necessary; from which statement, in connexion with our previous reports, it is believed all the material facts in regard to them, in which the public are interested, may be ascertained.

AMERICAN BANK.

Incorporated February 20, 1824. Charter surrendered February 13, 1839. Capital \$500,000.

LIABILITIES.			
	Feb. 13, 1839.	Mar. 18, 1840.	Feb. 8, 1841.
Bills in circulation,	\$3507 00	\$1981 00	\$1818 00
Deposites,	4819 08	100 50	
Due other Banks,	62		
	\$8326 70	\$2081 50	\$1818 00

The affairs of this institution are managed by three trustees, who report monthly to the directors. In addition to the

payment of its liabilities to the public as fast as presented, three dividends have been made upon its capital stock, amounting to \$137,500, and other dividends will hereafter be made.

CHELSEA BANK.

Incorporated April 16, 1836. Charter repealed April 19, 1837. Capital, \$100,000.

At March term, 1840, of the Supreme Judicial Court, Charles G. Loring and William Dehon were appointed receivers, and the time for winding up the concerns of the corporation was extended. On the 30th October last, the receivers filed an inventory of the assets and liabilities, which may be examined by all persons interested in its affairs. The amount of bills now unredeemed, is \$27,829, and of post notes, \$5,900. These are the only liabilities of the corporation to the public. The stock, with the exception of 41 shares, stands in the name of the bank, having been taken in settlements with its debtors. The assets of the bank are the note and guaranty of W. H. & G. L. Montague, with sundry other notes and property as collateral, from which it is supposed that funds enough will be realized, to pay from 27 to 33 per cent. upon the liabilities.

COMMERCIAL BANK.

Incorporated June 15, 1831. Charter repealed, April 21, 1838. Capital, \$500,000.

The remaining liabilities of this bank to the public are its bills in circulation, which are now stated at \$2,080, and the bills have been and are redeemed whenever presented. Sixty-five per cent. of its capital stock has also been divided among the stockholders, leaving the balance of stock, \$175,000. The affairs of this bank are managed by a committee of the direct-

ors, and the time for winding up its affairs has been extended by an act of the present session.

COMMONWEALTH BANK.

Incorporated February 20, 1824. Charter repealed April 2, 1838. Capital \$500,000.

LIABILITIES.			
	March 18, 1839.	Feb. 26, 1840.	Feb. 15, 1841.
Bills in circulation, . . .	\$77,999 00	\$69,590 00	\$25,213 00
Post Notes,	9500 00	9500 00	9500 00
Deposites,	363,251 53	175,691 89	71,852 15
Due City Banks, . . .	114,502 78	110,004 63	100,154 29
	\$565,253 31	\$364,786 52	\$206,719 44

The affairs of this bank are managed by the cashier and clerk, with a board of directors annually chosen by the stockholders. Since October, 1839, there has also been a committee of the stockholders, one of whom has regularly attended all the meetings of the directors, and been conversant with all the transactions, and nothing has been done without his approval. The directors are nine in number, six of whom are in no way indebted to the bank.

Of the bills in circulation, \$4,000 are in the State Bank, and their redemption, without interest, is secured by collateral. \$4,479 are in the hands of trustees for the United States government, having been received in payment of one of the notes assigned to them. And about \$7,000 have been presented and put on interest, of which, however, a part have been since sold at par, to debtors to the bank. The reduction of the item of bills in circulation has been effected by receiving them at par for debts due to the bank. A contract has been made with three of the largest debtors to the bank, to release \$20,000 from the indebtedness of each, upon their securing the payment in of \$5,000 each, in bills of the bank. This was done

by the directors and committee, upon a statement made of the property of those debtors, by which they were satisfied that such deduction must at some time be made ; and the inducement to make it at this time appears to have been, to get the bills of the bank redeemed. The consequence has been to create a demand for those bills, which have been purchased by those debtors at par, and generally without interest, and paid into the bank, in pursuance of the above agreement. And it is estimated that when the agreement shall have been fulfilled, the bills outstanding will not exceed the amount of \$10,000.

The post notes have been presented, and interest is claimed upon them.

Of the item *deposits*, \$35,887 50 is the balance due to the United States, according to the books of this bank, and for this there has all along been held, what is considered sufficient security, a portion of which it is understood has been converted into cash. In this item *deposits*, is also included \$20,359 48 due to banks in Maine and Rhode Island, of which sum \$5,756 44, is considered as secured by trustee process. The remainder of the item *deposits*, \$15,605 17, are the individual deposits. Of these \$10,246 95, are supposed to be secured by trustee process, upon the dividend from the estate of the late J. K. Simpson, and upon the debt due this bank from the Nahant Bank.

Of the item, *due to city banks*, \$86,815 64 has been supposed to be secured by assignment of the claims of this bank against the New England Crown Glass Company, subject to a previous assignment to the Middlesex Bank ; but the claims of the Middlesex Bank exhausted the property of that corporation, and the city banks are now pursuing the claims in the name of the Commonwealth Bank against the stockholders of the New England Crown Glass Company.

It is to be borne in mind, that the amounts of liabilities here stated, do not include interest ; and also, that in stating and estimating the assets of the bank, interest is not included.

It may be of use, to state the liabilities of this bank, as classified according to the above explanations.

Liabilities nominally secured.		Liabilities not secured.
Commonwealth Bank Bills,	\$8479 00	\$16,734 00
Post Notes,		9500 00
Deposites,	51,890 89	19,961 26
Due City Banks,	86,815 64	13,338 65
	<u>\$147,185 53</u>	<u>\$59,533 91</u>

The security for the \$86,815 64, is, however, dependent upon the result of legal proceedings. It is probable there may be some surplus of the assets which are pledged, or attached, over paying the particular debts for which they are pledged. And this probable surplus, together with the assets of the bank, which are unpledged, being notes due from a variety of persons not directors of the bank, may be estimated to produce about \$47,000. The remainder of the assets are the indebtedness of How and Jones, and Charles Hood to the bank, which is now reduced to \$98,434 64.

The principal creditors of this bank have been made acquainted with the details of its concerns; and with their knowledge, a settlement has been recently effected with the Savings Bank, which was the largest creditor: and the liabilities above are stated since that settlement. The legal time for winding up the concerns of this bank will expire on the 2d of April next; and the directors have applied to the Legislature, for an extension of the time.

FRANKLIN BANK.

Incorporated March 18, 1828. Charter repealed April 4, 1838. Capital \$150,000.

LIABILITIES.			
	Feb. 14, 1838.	March 13, 1840.	Feb. 18, 1841.
Bills in circulation,	\$119,089 00	\$110,610 00	\$108 770 00
Post Notes,	126,075 00	123,075 67	109,100 67
Deposites and Scrips,	25,000 00	22,000 00	21,000 00
United States Treasury,	12,311 25	12,311 25	12,311 25
	<u>\$282,475 25</u>	<u>\$267,996 92</u>	<u>\$251,181 92</u>

It is believed that the debt to the United States, above mentioned, has been satisfied, or nearly so, by levy upon real estate; and a small amount of the bills and post notes, are secured by attachment of mortgages belonging to the bank.

Nothing can be more hopeless than the condition of this corporation. Nothing has been collected in good money for two years past. Mr. Charles Hickling has still the care of the books and papers. Scarcely any thing further can be done, except to receive the liabilities of the bank, in payment of some of the debts due to the bank. It is barely possible that good money enough may be collected to pay the expenses of this proceeding. In this way, the bills of the bank may be, to some extent, by degrees, withdrawn from the community and destroyed. It is desirable this should be done, as they are sometimes even now the instruments of fraud, being palmed off at a distance, in small sums, upon the ignorant and unwary. For these reasons, it may be advisable to extend the time for winding up its affairs, which will otherwise expire on the 4th of April next.

FULTON BANK.

Incorporated March 27, 1833. Charter repealed April 19, 1838. Capital \$500,000.

LIABILITIES.			
	March 4, 1839.	Feb. 24, 1840.	Feb. 8, 1840.
Bills in circulation,	\$67,986 00	\$24,694 00	\$5084 00
Balances due to other Banks,	30,004 50	30,004 50	27,129 50
Deposites, (Blue Books,)	61,516 00	51,900 00	820 48
	\$159,506 50	\$106,598 50	\$33,033 98

It is not known where any of the bills outstanding are. A fund is now kept at the Suffolk Bank, to redeem the bills as they are presented. The balances due to other banks are as follows. To the Commonwealth Bank, \$20,000; to the Market Bank, \$7,425; to the City Bank, Buffalo, \$4. The deposits stand to the credit of debtors to the bank, to be applied in settlement. The bills have, for some time past, been re-

de med at par. The reduction in the deposits (Blue Books) has been effected by the purchase of them, mostly at a large discount, by debtors to the bank, for the purpose of cancelling their debts: they being collectable in no other way. 1,334 shares of the capital stock stand in the name of the bank. The assets of the bank are nominally \$197,883 53; of which only \$468 37 are cash funds. The remainder are principally in notes against a variety of persons, the value of which cannot be estimated with any precision: but it is exceedingly doubtful whether they can, by the best management, be made to pay the liabilities. It is desirable that the time should be extended, for winding up its affairs. The papers and books are in the hands of Messrs. Page and Whiton, but their salaries have ceased.

HANCOCK BANK.

Incorporated March 25, 1833. Charter surrendered Dec. 12, 1839. Capital \$500,000.

The capital of this bank was originally \$500,000. In 1839, it was conditionally reduced by an act of the Legislature, to \$300,000; but the bank did not proceed under said act. The liabilities of this bank to the public, Dec. 12, 1839, were \$67,489 61, when it was examined by the commissioners, and our certificate was made to the Governor, that the bank might safely proceed to wind up its concerns. Its present liabilities are: for bills in circulation, \$400; deposits on interest, \$27,000; suspense account, \$610; two notes given for funds to redeem its bills, \$5,606 77; amounting to \$33,616 77. The bank is also liable, as endorser, for \$3,050. The liabilities will be paid as soon as its assets can be converted into cash. There will be a surplus for the stockholders, but to an amount as yet uncertain. The affairs are managed by a committee and board of directors. Its bills have been, and are constantly, redeemed at the Suffolk Bank.

KILBY BANK.

*Incorporated April 15, 1836. Charter repealed April 17, 1838.
Capital \$500,000.*

The liabilities of this corporation, March 2, 1839, were \$76,948 23. Between that time and the examination of last year, they were reduced to \$5,438 01; and they have since been reduced to \$2,516, which are the bills in circulation. Since June, 1839, the bills of this bank have been regularly redeemed at the Suffolk Bank; and funds are constantly kept there for that purpose. The liabilities of this bank to the public were met, with vigorous and well directed exertions on the part of the directors, and sacrifices were made to secure their speedy redemption.

LAFAYETTE BANK.

*Incorporated April 16, 1836. Charter repealed April 2, 1838.
Capital \$150,000.*

LIABILITIES.

	Feb. 23, 1839.	March 13, 1840.	Feb. 18, 1841.
Bills in circulation, . . .	\$69,813 50	\$63,728 50	\$63,728 50
Post Notes, . . .	61,650 00	57,000 00	56,500 00
Commonwealth Bank, . .	2933 06	2933 06	2933 06
Deposites, . . .	63,336 77	60,776 47	60,906 47
	\$197,733 33	\$184,438 03	\$184,068 03

In June last, Mr. Charles Hickling and Mr. George Savage were appointed receivers, but they have received nothing as yet in good money. The only operation in the bank, the last year, has been, that a person paid a debt, with a post note of the bank, and as the latter was larger than the former, the balance was put to his credit as a deposit. The assets are nearly worthless. Some few of the notes due the bank, may yet be paid in its liabilities: and it is barely possible that good money

enough may be realized to pay the expenses of taking care of the papers and making the entries.

MIDDLESEX BANK.

Incorporated March 19, 1831. Charter repealed April 4, 1838. Capital \$150,000.

LIABILITIES.			
	March 9, 1839.	Feb. 15, 1840.	Feb. 1, 1841.
Bills in circulation, . . .	\$6542 00	\$2645 00	\$1974 00
Deposites,	69 12	34 90	
Deposites on interest, . . .	45,010 06	24,010 06	
Dividends unpaid,	6 00		
	\$51,627 18	\$26,689 96	\$1974 00

The item of deposits on interest, was the debt to the Commonwealth Bank, which has been from time to time paid to the Maine Bank, by virtue of the trustee process. The principal has all been paid, but a balance for interest remains unsettled. The bills of this bank have been constantly redeemed at its counter, since January 4th, 1839, and will continue to be so redeemed hereafter, as the time for winding up its affairs has been extended by an act of the present session. The affairs are managed as heretofore, by the cashier and directors. After the extinguishment of the liabilities, a considerable dividend will be made among the stockholders.

NAHANT BANK.

Incorporated, March 28, 1833. Charter repealed, April 19, 1837. Capital, \$150,000.

The receivers of this bank are C. B. Goodrich and F. B. Crowninshield. Their several reports may be found upon the files of the Supreme Court. The whole amount of claims presented, has been, \$233,720 92. Of these \$24,815 are post

notes; \$30,640, Nahant Bank bills; \$18,412 72, deposits, and the remainder are principally balances due other banks, and liabilities of this bank on paper endorsed by its cashier. It is expected that the assets, which are partly real estate, will be sold, and a dividend made to the creditors, in the course of the coming spring and summer,—the sale having been delayed at the request of some of the principal creditors. Nothing certain can be said of the amount which the assets will pay. This amount has been estimated at from \$60,000 to \$70,000. A bill in equity is now pending in behalf of the creditors against the stockholders.

BANK OF NORFOLK.

Incorporated March 4, 1826. Charter repealed April 24, 1838. Capital \$200,000.

LIABILITIES.

	March 15, 1829.	March 12, 1840.	Feb. 18, 1841.
Bills in circulation, . . .	\$47,548 00	\$23,672 00	\$18,638 00
Dividends unpaid, . . .	26 00	26 00	26 00
D. A. Sigourney, Treasurer, .	4155 66	4155 66	1000 00
Deposites on interest, . .	16,000 00	3000 00	3000 00
Deposites not on interest, .	864 16	841 2	43 48
Post Notes,	12,300 00	9300 0	4000 00
Balance due Suffolk Bank, .	13,785 25	12,503 92	13,005 94
	\$94,679 07	\$53,498 78	\$39,713 42

Of the bills in circulation, \$13,000 are in the Suffolk Bank, to remain there until the debt to that bank is paid. \$2,000 were destroyed, some years since, by persons who robbed the bank, leaving \$3,638 in circulation, which are redeemed upon presentation at the Suffolk Bank. The bank holds 180 shares of its own stock. The assets are sufficient to pay all the liabilities, and to provide for a dividend to the stockholders. The business of winding up the concerns is conducted by the cashier, with the advice of the directors, and a committee of

the stockholders. The time for winding up the affairs of the bank has been extended by an act of the present session.

ORIENTAL BANK.

Incorporated June 23, 1831. Charter repealed April 25, 1838. Capital \$750,000.

LIABILITIES.

	March 12, 1838.	March 5, 1840.	Feb. 1, 1841.
Bills in circulation, . . .	\$2717 50	\$1035 25	\$966 25
Deposites, . . .	178,531 85	118,480 07	360 00
Dividends unclaimed, . . .	8 00	8 00	8 00
Balances due Banks, . . .	75 99		
	<u>\$181,333 34</u>	<u>\$119,523 32</u>	<u>\$1334 25</u>

The affairs are managed by a receiver with the advice of a committee of the stockholders. The bills have been constantly redeemed and will continue to be. Dividends, to the amount of 20 per cent. upon the capital stock, have been made.

The affairs of the City Bank, in Lowell, upon which the commissioners procured an injunction in July, 1838, have been closed by the receiver. The liabilities, which were for expenses and the tax to the Commonwealth, have been paid.

The concerns of the Farmers' and Mechanics' Bank, in South Adams, upon which the commissioners procured an injunction in December, 1838, are in the hands of Thomas Robinson, Esq. of North Adams, who is the receiver. In consequence of the defence made by this corporation, in regard to the injunction and the legal proceedings consequent thereon, the assets did not come into the hands of the receiver until July 23, 1840. The receiver is proceeding to convert into cash, the assets of the bank, which it is believed will be sufficient to redeem its liabilities. The bills in circulation amount to \$1,145, as appears by the books. Of these, however, but \$429 have been presented to the receiver. The bank is also indebted

for a judgment recovered against it, and for some expenses. The reports of the receiver, which will be rendered from time to time, may be examined by those interested, and will be found in the clerk's office of the Supreme Court, at Boston.

The papers and books of the Roxbury Bank remain in the hands of Mr. Clarke, where they have remained since the injunction, and nothing material has been or can be done with them. A large amount, nearly \$50,000, of the bills of this bank, are yet outstanding, and they are entirely worthless.

Since the examination of the Chicopee Bank, at Springfield, which was made by one of the commissioners in September last, the cashier of that bank has, without authority from the directors, taken the funds of the bank, and applied them to his own use, to an amount of about \$13,000. He is no longer the cashier of the bank; and a thorough examination, with the manner and result of which we have been made acquainted, has been made by the directors. The bank has been made good for the deficiency, and will suffer no loss, as it is believed, from the transaction.

Since our annual report, we have made a visit to the Amherst Bank, at the request of its officers, to assist in an examination into the time and causes of the excess of the old circulation of that bank, which has now been ascertained to amount to \$24,212. The time which we can feel authorized to spend in a matter, which is particularly interesting to the stockholders merely, and but remotely connected with the public interest, is of course very limited. The results which we have obtained from the books, or which we may be able to obtain from other sources, will be communicated to the stockholders and their committee. But we do not feel sanguine that a satisfactory explanation will be found of the matter. This bank is proceeding, for the present, in a prudent and cautious manner, with small liabilities to the public.

For several months past, attempts have continually been making by persons from abroad, most of them from the State of New York, to obtain a controlling interest in certain of the New England banks. They have succeeded in doing so, in several of the banks in Maine, as appears by recent reports of the bank commissioners of that State. They have made advances for this purpose, to several banks in Massachusetts. In those cases where their designs have come to our knowledge, and where there appeared the least disposition, on the part of the managers of the banks, to entertain their propositions, we have seasonably given such advice, as effectually to prevent their further proceedings. In nearly all the cases where persons from other States have obtained the control of bank charters in New England, the results have proved disastrous to the community, and ruinous to the banks. One of the chief elements of the safety of our banks, especially those in the country, is the manner in which their stock is, to a great extent, held—in moderate sums, by persons residing in the vicinities where the banks are located. In one instance, in the Newburyport Bank, an attempt of this kind has succeeded to some extent, within a very few months past.

The Newburyport Bank, at Newburyport, was incorporated and went into operation in 1836, with a capital of \$100,000, in shares of fifty dollars each. It appears that at the time of obtaining the act of incorporation, a charter had been obtained for an insurance company, with a capital of \$75,000; and that there was an understanding that the insurance company should take from \$40,000 to \$50,000 of the capital stock of the bank. The insurance company never went into operation, but the bank did. At each examination, it was stated by the directors present, that the capital stock was bona-fide paid in, but that there was an understanding that loans should be made to certain of the stockholders, to an amount, originally, of between \$40,000 and \$50,000, upon notes secured by pledge of their stock, in part, and in part by endorsements. The intention and object, however, was stated to be, to get these notes paid

in as fast as could be done, and to change the ownership of this portion of the stock, into the hands of responsible persons in the vicinity of the bank, so that the stock notes should be by degrees removed from the bank. In the mean time, the bank was proceeding in a safe condition, so far as the public were concerned, with small liabilities in proportion to its capital and resources. It was visited and examined by one of the commissioners, in August, 1838, in July, 1839, and in August, 1840; and up to the time of the last of these examinations, the policy above indicated had been pursued. The reason that greater progress had not been made in reducing the amount of the stock notes, and the notes secured by stock and endorsements, was stated to be the difficulty, in these times, of procuring investments in bank stock. The commissioner repeatedly called the attention of the directors present at his examinations, to this portion of the loan, and impressed upon them the necessity of making every exertion to carry into effect the proposed measures, as a matter of interest to the stockholders, and affecting the future security of the bank; and suggested that if this could not be soon effected, it would be for the interest of all concerned, that the bank should close its concerns.

The following was the statement of the condition of the bank, as examined by the commissioner on the 6th day of August last.

RESOURCES.	LIABILITIES.
Specie, . . . \$3726 48 Bills of other Banks, . . 3278 62 Due from other Banks, . . 11,915 82 Bills discount'd, 107,213 06 Stock notes, . . . 36,324 00 . . . 143,537 06 Real Estate, . . . 3124 38 . . . \$165,582 36	Capital, . . . \$100,000 00 Circulation, . . . 54,361 00 Net Profits, . . . 2924 56 Dividends unpaid, . . . 466 00 Deposites, . . . 7830 80 . . . \$165,582 36

As at previous examinations, the loan was particularly examined, and the attention of the directors present, was called

to it ; and was in the same general situation, as it had been at previous examinations. There was at that time a note in the bank, of Reuben D. Dodge, endorsed by Peter Bockoven, and William S. Reed, due Nov. 29th, 1840. The commissioner made particular inquiries in regard to this note ; and particular explanations were given, and the utmost confidence expressed that the note would be paid at its maturity. But no intimation was given to the commissioner, at that time, or at any other time, by the directors or cashier, that any further or other transactions with Mr. Dodge were contemplated.

In the month of January last, circumstances came to the knowledge of the commissioners, in regard to the circulation of this bank, which put them upon particular inquiries. The account kept by this bank at Boston, where its bills were redeemed, did not indicate, though repeatedly examined, any material change in its condition ; nor had there been any material increase of the circulation in the vicinity of the bank. But we found that its bills were in circulation in some of the western States, and in the State of New York, and in considerable amounts. This information led to a special examination of the bank by two of the commissioners, on the 27th of January last, and from the following statement of its condition at that time, it will be seen, that most important changes had taken place in its policy and condition.

RESOURCES.	LIABILITIES.
Specie, . . . \$2718 43	Capital, . . . \$100,000 00
Bills of other Banks, . . 2028 00	Circulation, . . . 111,115 00
Due from other Banks, . . 17,146 85	Net Profits, . . . 4515 74
Real Estate, . . . 3124 38	Due to Banks, . . . 133 50
Debts, . . . 204,120 52	Dividends unpaid, . . 409 50
	Deposites, . . . 12,964 44
\$229,138 18	\$229,138 18

Since August 6th, the liabilities to the public had been increased from \$62,191 80, to \$124,222 94. The loan had been increased from \$143,537 06, to \$204,120 52; and the amount

of this loan exhibited a clear and manifest violation of law. Since the 24th of August, nine hundred and twenty shares of the capital stock, amounting to \$46,000, had been, by the agency of the directors, transferred to the following persons. To Reuben D. Dodge, 260 shares ; to John F. Wyckoff, 380 shares ; and to Peter Bockoven, 280 shares ; and it has appeared from subsequent inquiries, that though the stock was thus transferred in form to those three persons, it was really all purchased by Mr. Dodge. Mr. Dodge and Mr. Bockoven were said to reside at or near Waterloo, in the State of New York, and Mr. Wyckoff in the city of New York.

Upon examination of the loan of the bank, at that time, it appeared as follows :

42 notes, overdue, amounting to	. . .	\$27,255 85
85 notes and drafts, coming due	. . .	46,587 02
Seven notes and drafts of B. S. Tappan, of Vicks-		
burgh, accepted and endorsed by persons in this		
Commonwealth,	27,644 02
Fourteen notes and drafts of Reuben D. Dodge,		
drawn or endorsed by John F. Wyckoff	100 262 06
A draft of John F. Wyckoff, endorsed or accepted		
by other persons,	2,000 00
		<hr/>
		\$203 748 95
		<hr/>

The notes contained in the first two of the foregoing items, were notes of persons in the vicinity of the bank, and most of them the regular customers of the bank ; but of the overdue paper, a part was doubtful and bad, and of those notes coming due, some were secured by the stock of the bank, and others were not expected to be paid at their maturity, but to be renewed. Though a great part of this paper seemed to be ultimately secure, it was evident that it could not be relied on to any considerable extent for available means, to meet the present liabilities of the bank.

The notes and drafts of B. S. Tappan, which fell due at different times from Feb. 15th to April 7th, were represented to be good, and, from subsequent inquiries, such seems to be the fact.

Our inquiries were then directed to the extraordinary loan to R. D. Dodge, amounting to more than the whole capital stock of the bank. This loan was made up of fourteen notes and drafts; in sums of from \$3,000 to \$15,000 each; discounted between Oct. 6th, 1840, and January 26th, 1841, and falling due at various times from Feb. 2d, to April 30th, 1841.

The following were said to be the collateral securities for this loan, viz., an assignment of a bond and mortgage of real estate in the city of New York, (subject, however, to a previous mortgage,) and considered as collateral for \$20,000. Also, a draft for \$5,000, drawn by Dodge on Wyckoff, and endorsed by Peter Bockoven. Also it was said that nineteen Indiana State Bonds of \$1,000 each, had been lodged as collateral; and that eleven of them had been subsequently withdrawn; and drafts to the amount of \$11,000 had been substituted therefor, drawn by the Bank of Western New York at Rochester, on E. B. Strong, President of the Georgia Lumber Company. It is well known that the Indiana Bonds have been and are at a great discount; and a notice has since appeared in the New York papers, signed by E. B. Strong, President of the Georgia Lumber Company, cautioning the public against drafts of that description, "payable to Joseph Strong or order, whether accepted or not; as there is much reason to believe a considerable amount of such drafts has been fraudulently or feloniously obtained." The only other securities which came to our knowledge, was the stock of this bank owned by Dodge which was said to be pledged as collateral. The value of this stock, as was very evident, would depend entirely upon the payment of the notes which it was pledged to secure.

The history of this loan, as obtained from the directors, seemed to be substantially as follows:—R. D. Dodge agreed to take \$40,000 of the stock of this bank, if the directors would

obtain its transfer to him, and to pay \$10,000 in cash, and to give his notes for the remainder, secured by the transfer and assignment of the bond and mortgage beforementioned, for which he paid \$30,000 as it is said. And, in consideration of his taking this stock, and of his agreeing to give the bills of the bank a fine circulation in the western States, he was to have a loan on his paper, endorsed by J. F. Wyckoff, with certain collateral to the amount of \$50,000 more, pledging also his stock in the bank for his indebtedness.

The bank employed an agent, Mr. John Merrill, who had formerly been a director, and cashier of the bank, to visit New York, to ascertain the value of said bond and mortgage, and also to accompany Mr. Dodge to Waterloo, to ascertain his standing and ability; and, upon his return, he reported, that, according to his information, the mortgage was worth the amount for which it was pledged; and that Mr. Dodge was apparently a man of large property, and in affluent circumstances. The arrangement then proceeded; the affairs on the part of Mr. Dodge with the bank being principally conducted by Mr. Wyckoff, his agent, who, it was said, had no interest in the loan. In this way, the loan had been expanded to the amount above stated. It appears that it was, at some time, suggested by some of the directors, that it might be advisable, before making so important a change in the policy and condition of the bank, to take the advice of the commissioner who had previously examined the bank, but this suggestion was overruled upon the ground, as it was said, that the transfer of the stock was a matter of private interest merely, and the whole arrangement clearly for the advantage of the bank.

Having obtained the information which could result from the examination of the bank, we sought such other sources of information as were in our power, as to the character of the loan, and the ability of the debtors to pay, and the condition of the circulation. Having given such consideration to the subject as the exigencies of the case would permit, we again visited the bank on the 5th of February, and met there again the

directors as well as Mr. Wyckoff. His last previous visit to Newburyport, it appeared, was about the 26th of January, when two of his drafts upon Mr. Dodge had been discounted, one for \$7,000, and the other for \$6,000. It was at this time stated, that Mr. Dodge had disposed of \$27,000 of the bills of the bank, in Indiana, to a public agent there, for which he had received Indiana State bonds, with an agreement, on the part of said agent, that said bills should not come back upon the bank for a limited time at least ; and to effect which agreement, an arrangement had been made with a broker in New York ; and that \$13,000, more was in such a situation known to Mr. Wyckoff, that it could not come back upon the bank at present. The Indiana transaction, it would seem, was at variance with the original understanding with Mr. Dodge, which was, that the bills of the bank should be paid out by him in small sums and in various places in the purchase of wheat and in the flouring business. There was also evidence, that other portions of the bills had been paid out in large amounts, from the manner in which they came to Boston for redemption. Upon considering these circumstances, in connexion with many others, the details of which would extend this report to an unreasonable length, we were of opinion that the further progress of this bank would be hazardous to the public ; and it being plain that it “ had exceeded its powers, and failed to comply with all the rules, restrictions and conditions provided by law,” on the morning of the 6th of February, we caused an injunction to be served, which was issued, upon our application, from the Supreme Judicial Court. The bank was enjoined from all proceedings other than to receive payment upon its bills receivable ; and cited to appear before said court on the 12th of February, to show cause, if any they had, why the injunction should not be made perpetual, and receivers appointed. On that day, there was an appearance, by the directors, and upon their motion, a continuance was granted for three weeks ; and it is understood the directors are making efforts to ascertain what progress can, in the mean time, be made, in collecting the debts due to the

bank, and what further evidence can be presented to the court in relation to those debts. In the mean time, the bank is allowed to receive its bills in payment of notes overdue, or falling due before the time of said continuance.

At the time of the examination of this bank in August last, the directors were, Stephen W. Marston, president, John Chickering, Stephen Jackman Jr, William H. Brewster, John Burrell Jr., James Blood, and Enoch S. Williams. The two last named, however, were not re-chosen at the annual meeting in October last, and the five first named are the present directors. It was stated that three of them had not been particularly conversant with these transactions, but had relied principally upon the investigations and opinions of their colleagues, and that the active agents in these arrangements, on the part of the board of directors, were Mr. Marston and Mr. Chickering, and these two directors stated that they relied to a considerable extent upon the information and advice given by Mr. Merrill. At the time of the examination in August, Mr. Tristram Coffin Jr. was the cashier, but he has since resigned, and Mr. Stuart Chase had been appointed. Mr. Chase, however, had been in the bank but a short time, and appeared to have had no active agency in its affairs.

Previous to the injunction, the bills continued to be redeemed at the Shoe and Leather Dealers' Bank in Boston, where their account was kept; and since the injunction, several notes have been paid in, in the bills of the bank. The loan has also been reduced, as nearly as we can ascertain, since the 27th of January, by the payment of about \$11,000 upon the Dodge & Wyckoff debt; about \$4,000 upon the Tappan debt, and about \$4,000 upon the domestic paper. The payment upon the notes of Mr. Dodge, was, however, made in part by the application of a deposite, which had stood to the credit of Mr. Wyckoff. The state of the bank, on the 20th day of February, appeared as follows:

RESOURCES.	LIABILITIES.
Specie, \$2598 39 Foreign money, . . . 1291 25 Due from other Banks, . . 3647 10 Debts, 183,349 41 Real Estate, 3124 38 <hr/> \$194,010 53	Capital, \$100,000 00 Circulation, 80,271 00 Dividends unpaid, . . . 410 00 Net Profits, 4556 65 Deposites, 8772 88 <hr/> \$194,010 53

It is understood that the discounts upon Mr. Tappan's paper were mostly paid in the bills of this bank, which bills were put in circulation at Vicksburgh. It is probable that the largest portion of the circulation is in the western States and the State of New York. The present number of stockholders is eighty, most of whom are residents in this Commonwealth. Forty shares of the stock stand in the name of B. S. Tappan, of Vicksburgh. The desperate situation into which this bank has been brought, would seem to be sufficiently apparent, to prevent any other banks in New England from pursuing the like policy.

Propositions from persons out of the Commonwealth, and at a distance from the bank, to take portions of the stock, and to receive large loans, are always accompanied by plausible statements, and fair promises of an improved circulation. But the value of the loans thus made, can seldom be satisfactorily ascertained; and a continual knowledge of the circumstances of the parties cannot be kept up. A large circulation, thus created, is constantly liable to be thrown back, in large masses, upon the bank. Operations of this kind are always against sound banking principles, and almost always fatal to the banks which undertake them.

The directors and committee of the East Bridgewater Bank are proceeding in the process of winding up its affairs. This bank was incorporated in 1836. Its charter was surrendered in March last. In our annual report of the last year, the history of the bank is detailed. It appears that its bills in circu-

lation on the 31st January last, amounted to only \$441 00. There is one other liability, viz. for two deposits, amounting to \$1,025, which is mostly due to one of the directors. The state of its assets is such that no considerable dividends to its stockholders can be made for some time to come ; neither can the amount of those dividends be accurately estimated. At an examination in May last, it was estimated that the dividends might ultimately amount to forty per cent. upon the capital.

In our annual report of this year, the condition of the Middling Interest Bank is detailed. Since that time, the liabilities have been somewhat reduced ; but the progress of reduction is much slower than has been promised and expected ; and it is probable that other measures may soon be taken to hasten the redemption of its liabilities to the public.

All which is respectfully submitted.

JULIUS ROCKWELL,
JONATHAN SHOVE,
WARREN LOVERING,

Bank Commissioners.

February 24, 1841.



